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SUBJECT: MONEY LAUNDERING: MACAU STRENGTHENS ITS BANK
GUIDELINES

REF: HONG KONG 1493

¶1. (SBU) SUMMARY: The Macau Monetary Authority (Portuguese acronym AMCM) revised its Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) guidelines for financial institutions, effective September 1. The strengthened guidelines now apply to money changers, remitters, and lenders and mandate Macau-based institutions ensure compliance by their overseas subsidiaries. The revisions enhance due diligence requirements, in particular over politically exposed persons (PEP) and foreign customers from jurisdictions lacking a robust AML/CFT regime. Audit teams and AMCM-approved compliance officers are now compulsory for all financial institutions. Macau's Financial Intelligence Unit (Portuguese acronym GIF) will play an essential role in implementing the revised guidelines. END SUMMARY

¶2. (SBU) COMMENT: Macau authorities' commitment to developing AML/CFT capabilities has come a long way since the U.S. Treasury Department announced it was considering designation of Macau's Banco Delta Asia (BDA) as an institution of primary money laundering concern in 2006. Despite relatively limited human resources, Macau has joined international AML/CFT organizations, improved training and education on AML/CFT compliance, tightened regulations and expanded oversight. Serious concerns remain, however, particularly in oversight in the gaming sector and Macau's weak border controls. Post continues to support Macau's AML/CFT capacity efforts through information sharing and training, most recently with a September 7-11 Bulk Cash Smuggling workshop for Macau officials conducted by personnel from U.S. Immigration and Customs Enforcement (ICE) and U.S. Customs and Border Protection (CBP). END COMMENT

¶3. (SBU) The Macau Monetary Authority recently strengthened its 2006 AML/CFT guidelines for financial institutions operating in Macau, their overseas subsidiaries, and Macau branches of foreign-based institutions. For the first time, AMCM has included guidance for money changers, remitters, lenders, venture capitalists, and asset managers operating in Macau. Macau's first AML/CFT laws were passed in the wake of the U.S. Treasury Department's proposed designation of Macau's BDA as an institution of primary money laundering concern. This revision strengthens the 2006 guidelines by incorporating recommendations made by the Asia Pacific Group on Money Laundering (APG) and the Offshore Group of Banking Supervisors (OGBS) in late 2006.

(Really) Know Your Customers

¶4. (SBU) The new AMCM guidelines require financial

institutions to exercise increased due diligence in identifying and handling customers according to perceived AML/CFT risk. High-profile customers, PEPs, and foreign customers from jurisdictions with substandard AML/CFT requirements or from countries with unstable political systems are subject to special scrutiny under the new rules. In addition, senior management at Macau's financial institutions must regularly review the effectiveness of their AML/CFT policies and maintain independent internal audit units to test their established procedures. Institutions must also appoint AMCM-approved compliance officers, implement proper hiring screening procedures, and develop an employee AML/CFT training program that incorporates ML/FT laws, regulations, techniques, methods, and trends.

Financial Intelligence Unit's Role

15. (SBU) Staffed by AMCM banking regulators as an independent, but temporary, government entity in 2006, Macau's GIF analyzes Suspicious Transaction Reports (STRs) from the financial, insurance, and gaming sectors and chairs Macau's AML/CFT Working Group. In 2006, the APG recommended the GIF be made a permanent body, but Macau officials, citing legal and bureaucratic obstacles, decided to only extend the GIF mandate for an additional three years (reftel). Despite its temporary status, Macau officials say they are committed to maintaining and building the GIF's capacity, and its AML/CFT role is fundamentally emphasized throughout AMCM's revised guidelines. GIF officials have informed us legislation institutionalizing the GIF may be proposed by

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Macau's Legislative Assembly after Chief Executive-elect Fernando Chui Sai On takes office in December.

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